

HOUSE BILL REPORT

SSB 6242

As Reported by House Committee On:
Business & Financial Services

Title: An act relating to specialty producer licenses.

Brief Description: Addressing specialty producer licenses.

Sponsors: Senate Committee on Financial Institutions, Housing & Insurance (originally sponsored by Senators Hobbs and Litzow).

Brief History:

Committee Activity:

Business & Financial Services: 2/21/12 [DPA].

**Brief Summary of Substitute Bill
(As Amended by Committee)**

- Makes a number of changes to the regulatory framework for communications equipment insurance.
- Changes communication equipment to portable electronics.
- Provides standards for employee training.
- Provides standards for disclosure materials.
- Allows certain persons who meet specific criteria to process specialty producer insurance claims without an adjuster license.

HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

Majority Report: Do pass as amended. Signed by 13 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Buys, Assistant Ranking Minority Member; Blake, Condotta, Hudgins, Hurst, Kretz, Pedersen, Rivers, Ryu and Stanford.

Staff: Jon Hedegard (786-7127).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Communications Equipment Insurance.

A retailer or "vendor" must be licensed by the Office of the Insurance Commissioner (OIC) as a specialty producer if the vendor wants to offer or sell insurance products related to communications equipment. "Communications equipment" includes cell phones, pagers, portable computers, and myriad other devices designed to originate or receive communications signals. A specialty producer license allows the vendor and the employees or authorized representatives of the vendor to sell or offer insurance related to the communications equipment. Before a license may be issued to a vendor, the vendor must be appointed as the agent of an authorized insurer. The vendor must affiliate with a licensed insurance agent who must supervise a training program for the vendor's employees. A vendor selling the communications equipment insurance must provide prospective customers with written materials disclosing the terms of the insurance.

The OIC may adopt rules regarding specialty producers including, but not limited to, rules regarding:

- the specialty producer license application process;
- the standards for approval and the required content of written materials;
- the approval and required content of training materials;
- license fees;
- requirements for the remittance of premium funds to the supervising agent under authority from the program insurer; and
- the applicability of other provisions of the Insurance Code.

Adjusters.

An adjuster is a person who is compensated for investigating or reporting on claims arising under insurance contracts on the sole behalf of either the insurer or the insured. An "independent adjuster" is an adjuster who represents the interests of the insurer. A "public adjuster" means an adjuster who represents the financial interests of the insured named in the policy.

A person may not hold themselves out to be an adjuster unless licensed by the OIC or otherwise authorized under law to act as an adjuster. Adjusters have to undergo background checks in the licensing process. Non-resident adjusters who are licensed in another state may receive reciprocity in this state.

Summary of Amended Bill:

The definition of "communications equipment" is replaced by "portable electronics." "Portable electronics" is defined as "personal, self-contained, easily carried by an individual, battery-operated electronic communication, viewing, listening, recording, gaming, computing, or global positioning devices and other similar devices and their accessories, and service related to the use of such devices."

A number of conforming changes are made to related definitions. Additional conforming changes are made throughout the bill to reflect these definitional changes.

Several other changes are made to existing definitions and several new definitions are created.

Applications.

The standards application for licensure must conform to the standards required for insurance producers.

Disclosure Materials.

Additional standards are provided for the disclosure materials that must be made available to prospective customers. The written materials must:

- disclose that portable electronics insurance may duplicate coverage already provided by another source of coverage;
- state that the enrollment by the customer in a portable electronics insurance program is not required in order to purchase or lease portable electronics or services;
- summarize the material terms of the insurance coverage and key terms and conditions of coverage;
- summarize the process for filing a claim; and
- state that an enrolled customer may cancel coverage at any time and receive a refund of any applicable unearned premium.

Training Program.

Additional standards are provided for the required training for employees of a licensed vendor. The training:

- must be delivered to employees and authorized representatives of vendors who are directly engaged in the activity of selling or offering portable electronics insurance;
- may be provided in electronic form; and
- must receive basic instruction about the portable electronics insurance offered to customers and the required disclosures.

Claims Processing.

An individual who collects claim information from, or furnishes claim information to, insureds or claimants and who enters data is not an "adjuster" if:

- the individual's claims processing activities are limited exclusively to claims originating from policies of insurance issued through a portable electronics insurance program; and
- the individual is employed and supervised by a licensed independent adjuster.

The supervising licensed independent adjuster must:

- maintain complete records of its employees engaged in portable electronics insurance claims processing (claims processing) activities; and
- annually submit a list of the names of all such employees to the OIC and must keep the list current by reporting all changes within 30 days. A list must be retained by the licensed independent adjuster for three years after submission to the OIC; or
- maintain a system to track and document employees. Upon request of the OIC, an employee who has engaged in processing a specific claim must be identified.

A licensed independent adjuster must provide a training and education program for each employee involved in claims processing activities.

The licensed independent adjuster that supervises the employees engaged in claims processing activities is responsible for their conduct. The OIC may sanction a licensed independent adjuster for the violation of any insurance laws, or any rule, subpoena, or order of the OIC by a person engaged in claims processing who is employed by the licensed independent adjuster.

Amended Bill Compared to Substitute Bill:

Standards regarding the regulation of persons who engage in claims processing activities are established. A licensed independent adjuster that supervises the employees must comply with record-keeping requirements. A licensed independent adjuster that supervises the employees engaged in claims processing activities is responsible for their conduct. A training and education program is required for each employee involved in claims processing activities.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) In 2002 a law was enacted that regulated insurance on communications devices. Since then, a number of new technologies and products have been developed. This bill addresses those developments. The bill is a companion to a bill that passed off the House floor. The bill modernizes the regulatory framework related to insurance for cell phones and other electronic products. The bill was worked out with the stakeholders and the OIC. The striking amendment adds provisions related to the processing of claims for portable electronics insurance. Similar claims processing language was included in a different bill that also passed off the House floor. The claims processing language was also developed with the OIC.

(Opposed) None.

Persons Testifying: Senator Hobbs, prime sponsor; and Mel Sorensen, Asurion.

Persons Signed In To Testify But Not Testifying: None.